# Productivity Link

## Contents

**Please note:**

## Benchmarking: Capturing Best Practices for Breakthrough

### 1. What is Benchmarking?

Benchmarking is a strategy tool used to compare the performance of the business processes and products with the best performances of other companies inside and outside the industry. Benchmarking is the search for industry best practices that lead to superior performance (source: https://www.strategicmanagementinsight.com/tools/benchmarking.html)

Performance can be evaluated and measured within a specific company, competitor, or dissimilar industry. Organisational gaps in processes are identified with the resulting information. Benchmarking notes the methods of improvement that provide a competitive edge. Determining how to fill those gaps leads to best practices and superior performance.

A significant part of benchmarking is learning to improve using examples of successes achieved by others. First a company decides what area to focus on for the benchmarking. Its benchmarking partners then teach and show the company ways to change and improve based on their own experience.

### 2. Challenges in Benchmarking

Companies must quickly and accurately identify benchmarking targets. Creating a methodology to systematically build new methods of operation will enhance the benefits of change. Informal relationships must be recognized, respected and supported by executives, including promotion of networking.

Recommended changes must be learned, understood, and implemented quickly. The best practices learned from benchmarking partners and the ability to develop trusted relationships with those individuals is frequently less formal than executives are used to. Open-mindedness is required so the organization can adapt to rapid change.

A lack of acceptance to benchmarking benefits is created by the concern over possible loss of business and additional risks. Organisations and management need to understand the significant benefits of benchmarking so they accept and implement recommended changes.

Three particular questions should be considered when implementing benchmarking:

1.      What processes and /or activities should be benchmarked?
2.      What is the best way to identify a satisfactory "best in class" benchmarking partner?
3.      What are the confidentiality issues and how do we overcome them?

Answers to these questions are achieved by steps such as concentrating on the observation, description and interpretation of targeted business processes and talking with the people who affect the results. Avoid focusing on what is being done. It's more beneficial to identify possible future practices.

## 3.      Benchmarking Types and Approaches

The following diagram summarises the types and approaches to benchmarking:
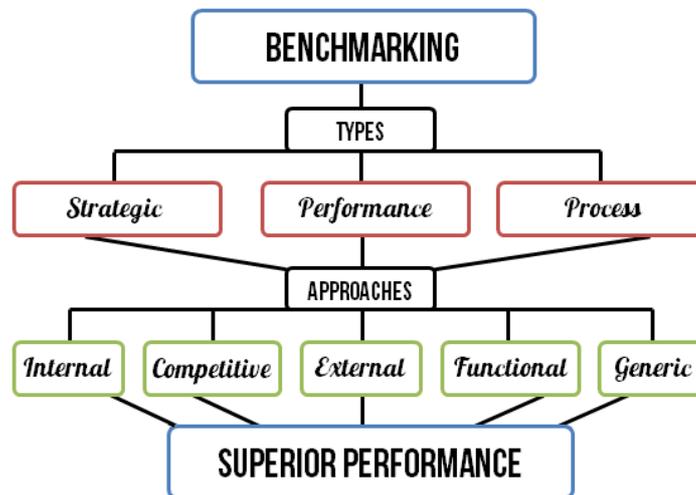


**Figure 1: Types and Approaches to Benchmarking**
Source: https://www.strategicmanagementinsight.com/tools/benchmarking.html

There are 3 types of benchmarking.

Strategic benchmarking is used to identify winning strategies of successful companies for adoption or adaptation to compete in the market.

Performance or comparative benchmarking looks at product and service quality when compared to the competition.

Process benchmarking is a type of performance benchmarking that improves performance through adoption of best practices in key processes.

There are four approaches or ways you can do benchmarking.

Internal benchmarking is used to compare the work of separate teams, units or divisions within the same company to identify the ones that are working better and share the knowledge throughout the company to other teams to achieve higher performance.

External benchmarking looks out of the company to both inside and outside the industry to find the best practices.

Functional benchmarking identify the best practices in specific function (e.g. marketing) of related or unrelated industry to improve its own functional processes.

Generic benchmarking refers to comparisons of excellent work processes (i.e. process benchmarking) rather than on the business practices (i.e. strategic benchmarking) of a particular organisation.

## 4.      Benchmarking Process

There are various benchmarking processes available. We list 3 of them for your reference.

1.      The benchmarking wheel model (refer to Figure 2) is a 5-stage process that was created by observing more than 20 other models.
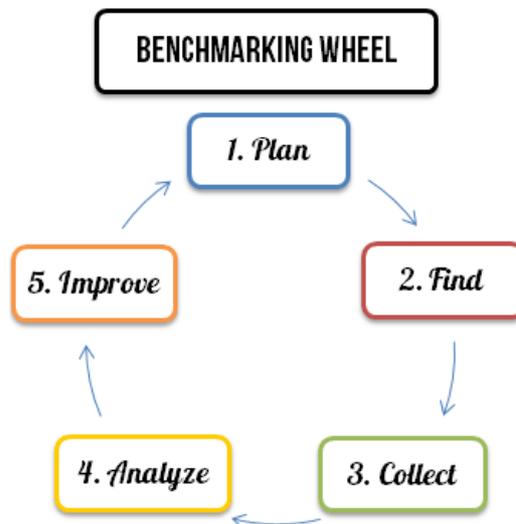


**Figure 2: Benchmarking Wheel**
Source: https://www.strategicmanagementinsight.com/tools/benchmarking.html

It comprises 5 stages:
1. Plan.  Assemble a team. Clearly define what you want to compare and assign metrics to it.
2. Find.  Identify benchmarking partners or sources of information, where you'll be able to collect the information from.
3. Collect. Choose the methods to collect the information and gather the data for the metrics you defined.

4. Analyse. Compare the metrics and identify the gap in performance between your company and the organization observed. Provide the results and recommendations on how to improve the performance.

5. Improve. Implement the changes to your products, services, processes or strategy.

The 3-phase benchmarking process was adapted from the Malaysia Productivity Corporation COP Benchmarking model. Refer to Figure 4.
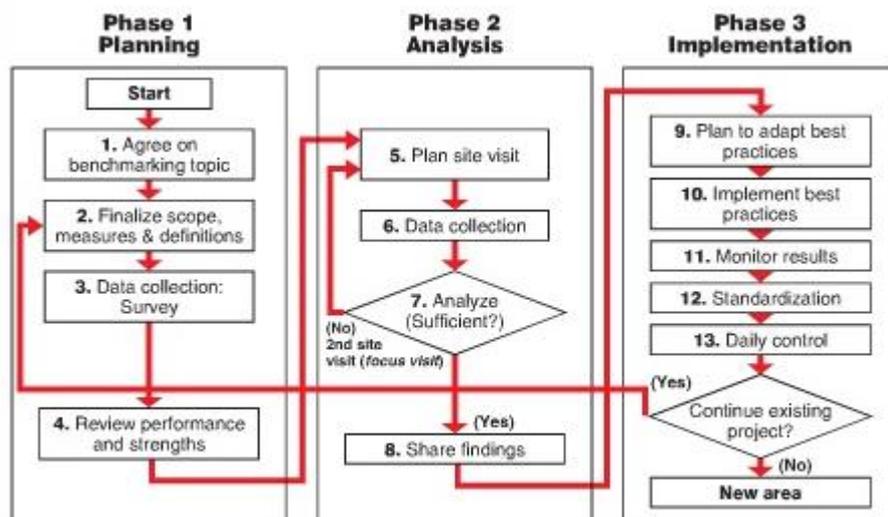


Source: Modified from the Malaysia Productivity Corporation COP Benchmarking Model.

**Figure 3: 3 Phase Benchmarking process**
Source: http://www.apo-tokyo.org/productivity/pmtt_007.htm

Xerox was one of the first companies to introduce benchmarking process and has a 5-phase and 12-step process was created by Camp, R. the manager of Xerox responsible for benchmarking. Please refer to Figure 4.
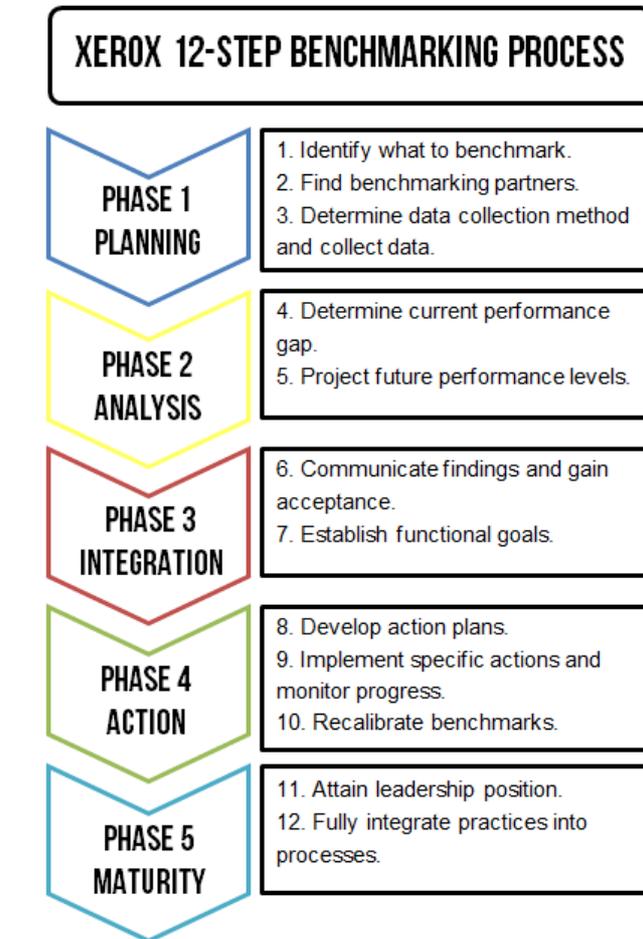
**Figure 4:  Xerox Benchmarking Process**
Source: https://www.strategicmanagementinsight.com/tools/benchmarking.html

## 5.    Benchmarking Tools

There is a wide variety of benchmarking tools. The most important three are:

1. Process performance measurements, which focus on process optimisation and deliver substantial benefits. The product or process is improved through increased effectiveness and efficiency. Managers improve, manage, and understand their organization with this information.

2. Project management identifies techniques that are useful for a benchmarking study's first stages. It enhances time management with its listing of resources, tasks, and schedules.

3. Process mapping is a workflow diagram used to define the process or processes of incorporating change.

Other important techniques that were determined to be effective are related to failure mode and effects analysis, value stream mapping, fishbone diagrams, 5S method, Pareto Charts, Kaizen effects, voice of customer gathering, brainstorming and others.

There are several approaches used for analyzing benchmarking data such as matrix technology, comparison tables, graphs (Pie chart, Bar chart / Histogram), SWOT analysis, life cycle analysis, market growth and attractiveness and spider web diagram.

Another benchmarking tool is Google Analytics that provides comparative benchmarking reports to help businesses compare and analyse the performance of their online efforts (e.g. email marketing) and that of their industry. Refer to the case study section for more information.

## 6.    Creative Benchmarking

Instead of reviewing company practices within the same industry, creative benchmarking recognises the value of measuring practices against businesses from a different ind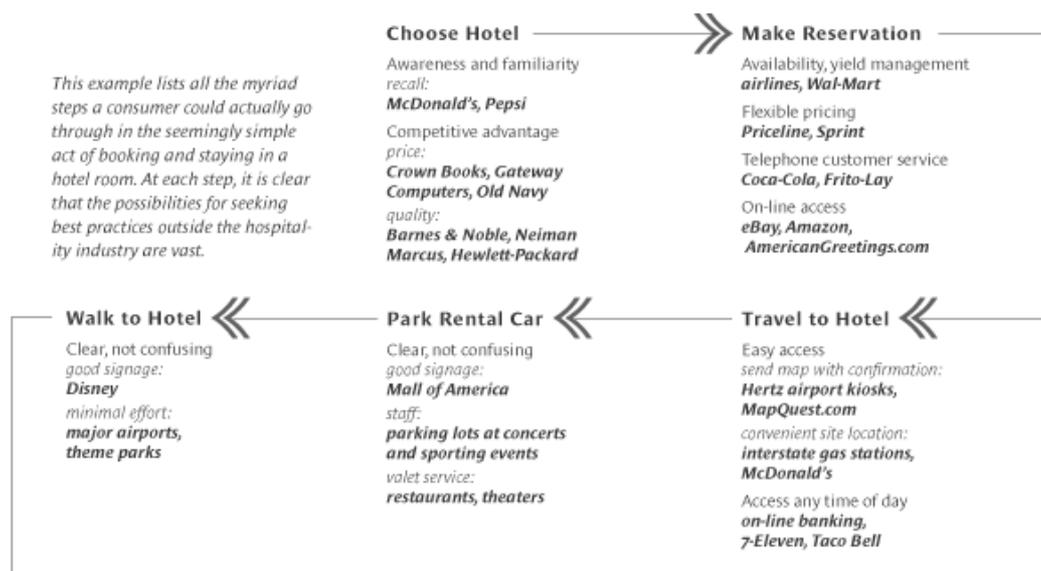ustry. Start by listing the buying experience from our customers' perspective from the initial recognition of need for service or product to the final after-purchase follow-up. Within this process, determine main factors affecting stages of customer perception of value. Then identify companies, regardless of industry, that excel in each area. Study the ones that follow detailed, customer-focused steps.

An example is Southwest Airlines, which benchmarked Formula One pit-stops in order to achieve the fastest possible ground turnaround of aircraft. Other examples include Federal Express benchmarks Pizza Hut for highest rates of on-time delivery, Shangri-La Hotel benchmarks American Express for world-class customer service call-centers and Ikea benchmarks Dell for newest ideas in supply chain coordination and logistics.

Here is a pictorial example created by Dawn Iacobacci and Christie Nordhielm and published in the November-December 2000 Harvard Business Review article. The example shows the steps involved in booking and occupying a hotel room and identifies the benchmarking opportunities for improvements.



*This example lists all the myriad steps a consumer could actually go through in the seemingly simple act of booking and staying in a hotel room. At each step, it is clear that the possibilities for seeking best practices outside the hospitality industry are vast.*

**Choose Hotel**

Awareness and familiarity
*recall:*
**McDonald's, Pepsi**

Competitive advantage
*price:*
**Crown Books, Gateway Computers, Old Navy**
*quality:*
**Barnes & Noble, Neiman Marcus, Hewlett-Packard**

**Make Reservation**

Availability, yield management
**airlines, Wal-Mart**

Flexible pricing
**Priceline, Sprint**

Telephone customer service
**Coca-Cola, Frito-Lay**

On-line access
**eBay, Amazon, AmericanGreetings.com**

**Travel to Hotel**

Easy access
*send map with confirmation:*
**Hertz airport kiosks, MapQuest.com**
*convenient site location:*
**interstate gas stations, McDonald's**

Access any time of day
**on-line banking, 7-Eleven, Taco Bell**

**Park Rental Car**

Clear, not confusing
*good signage:*
**Mall of America**
*staff:*
**parking lots at concerts and sporting events**
*valet service:*
**restaurants, theaters**

**Walk to Hotel**

Clear, not confusing
*good signage:*
**Disney**
*minimal effort:*
**major airports, theme parks**

**Enter Lobby**

Physical environment
*functional, economical:*
**Southwest Airlines, the Gap, Target, Sam's Club**
*attractive, luxurious:*
**Virgin Atlantic, Lexus car dealerships**

**Greeting**

Friendly, casual
**Wal-Mart, Club Med**

Cordial, professional
**Nordstrom, Ritz-Carlton**

Discreet
**Alcoholics Anonymous**

**Check-In**

Fast, efficient service
*no lines:*
**express aisles in supermarkets, Hertz**
*guaranteed maximum wait:*
**Bennigan's Lunch Express**

*pleasant queue experience through entertainment:*
**Disney, Six Flags**
*pleasant queue experience using pagers:*
**Cheesecake Factory**

**Look Around Room**

Nice ambience
*set designers:* **Hollywood, Broadway**
*retail:* **Crate & Barrel, IKEA Systems**

Plush surroundings, generous amenities
**resorts and health spas**

Minimalist environment
**Harvard College dormitories, monastery retreats**

Top security
**Secret Service, banks, jewelry stores, shopping malls**

**Go to Room**

Sensible layout of rooms
*golf courses*

**Bellboy Carries Luggage**

Attentive employees
**Benihana Japanese Restaurants**

Festive, informal impression
**Carnival Cruise Lines, Southwest**

Sedate, formal impression
**management consulting firms, Tiffany & Company**

**Require Assistance of a Hotel Employee**

Quick attention to minor problems
**OnStar, Cellular One, Coca-Cola's 800 number, Xerox**

Quick attention to major problems
**hospital emergency rooms, Johnson & Johnson (e.g., Tylenol)**

Customized, tailored service
**Amazon, Nordstrom**

**Call Home**

Fast, friendly
hotel-operator assistance
**Lands' End 800 number**

Smooth call-center management
**911, Home Shopping Network, infomercials**

**Use Business Equipment**

Convenient business center
**United Airlines' Red Carpet Clubs, Kinko's**

**Get Advice on Restaurants**

Intelligent agents who know restaurants
*electronic agents:*
**Yahoo!**
*employees:*
**travel agents**
*agents who know their customers:*
**Nordstrom**

**Use Shower**

Good shower design
**professional sports teams**

Reliable plumbing maintenance
**SeaWorld**

**Workout**

Location and range of equipment
**Bally's fitness centers**

**Breakfast**

Room service
*food arrives promptly, at appropriate temperature:*
**delivery pizzerias**
*courteous delivery personnel:*
**UPS**

**Check-Out**

Quick, seamless departure
*TV checkout software:*
**Sega children's games, Intuit's TurboTax**

**Retrieve Car**

(see Park Rental Car)

**Follow-Up**

Satisfaction guarantee
**Saturn, Hampton Inns**

Effective handling of dissatisfaction
**Sears' return policy, Lands' End**

Tracking of preferences, direct marketing
**Federal Express, Fingerhut, Amazon**

**Head to Airport**

(see Travel to Hotel)
Verify airline schedule
**The Weather Channel**

**Figure 5: An example of 'creative benchmarking' by Dawn Iacobacci and Christie Nordhielm**
Source: https://hbr.org/2000/11/creative-benchmarking

## Case Study

**Case Study (Local): Gloria Foods Pte Ltd and Coastes Singapore**

This is a case on how Singapore Food Service sector has responded to productivity issues and areas of opportunity through benchmarking. Singapore Food Service productivity had a strong sales growth until 2011. High rent is a concern that demonstrates why Food Service must focus on productivity and ways to compensate for a slowing growth in sales. The study showed Singapore diners are over-served for current demand.

Identified future changes included increased sales through better pricing, concept innovation, and up-selling. Suggested steps included:

- Prepared foods and home delivery.
- Reduced non-labor operational costs through the use of a central kitchen and menu optimisation.
- Employee reduction without significant decline in output using outsourcing and shared platforms, by offering self-service opportunities for consumers, and by up-skilling workers.

Singapore's **Gloria Foods Pte Ltd** adopted Digital Solutions to enable customer self-service, resulting in less labor, faster queues, larger check size and fewer errors. Digital ordering and payment solutions were recommended to address the following concerns:

1. Excessive wait time and long lines.
2. Upset customers leaving before paying.
3. Hard to find satisfactory employees.
4. Excessive error rate when taking orders.



**Figure 6: Gloria Foods Pte Ltd's Baja Fresh**
Source: www.bajafresh.com

The digital service created an additional Point-of-sale (POS), with a digital service ordering and payment kiosk in Baja Fresh Mexican Grill. Improvements in top line profit margins and customer experience resulted in larger check size and increased upsell. The kiosk prompts customers to add to their orders. Less labour is required and there are fewer errors on orders. The average wait time was cut by 3 to 5 minutes.

**Coastes Singapore** has also benefitted through benchmarking using digital solutions. Customers have an improved experience in the way they order and pay. A mobile app displays the menu and tells the customer various ordering and payment options. Items can be added at any time. The method provides more prep and delivery time to floor staff. Ordering time reduced by 70 percent, while the check size increased by 20 percent. The convenience of ordering and adding extra items is a key factor in the increase.
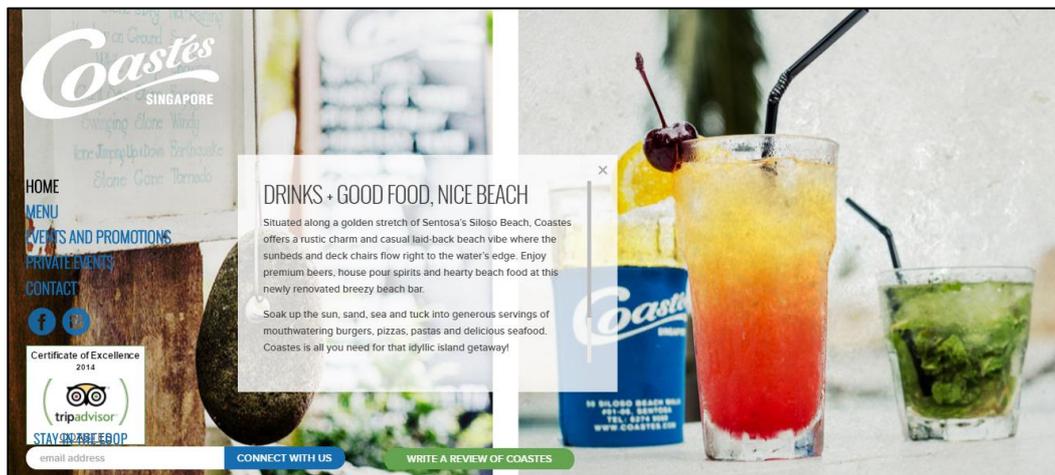


**Figure 7: Coastes Singapore**
Source: http://www.coastes.com/

### Case Study (Global): Rank Xerox and Twiddy

Xerox quickly became a respected competitor after its creation in 1956. Revenues in 1959 were $33 million; by 1963 revenues were $176 million; the corporation reached $4 billion in revenues for 1975. Business declined sharply in the 1980s when Japan developed small quality copiers at a significantly lower cost. Xerox ROA in 1980 was 19%, yet dropped to 8.4% three years later. European businesses reported four out of every five copiers in use were of Japanese manufacture

Reprographic processes were patented during its growing phase. Photocopying of single sheets was in high demand while the need for massive copying continued to grow. Somewhere along the line Xerox forgot about customers, who were quickly wooed away by aggressive, newer companies that understood what the public wanted and needed and could provide it at an affordable price.

Xerox created a company-wide process, Business Effectiveness, that incorporated employee involvement based on merit and a competitive process. An evaluation of product planning, design, engineering and production was done while a customer-satisfaction measurement system was developed and implement. Another effective change was dedicated efforts to confirm product quality, helping Xerox reclaim its share of the market.

**Figure 8: Digital printing Xerox Versant 2100**
Source: https://digitalprinting.blogs.xerox.com/2014/04/28/inkjet-vs-toner-production-printing-risks-and-benefits/#.V9T_E_l97IU

The need for and development of benchmarking resulted in changes to product delivery, development, and customer service and support. Xerox recognized that total quality management by the Japanese accounted for much of the success. Using the techniques identified through a review of the competition, the company introduced the idea of "leadership through quality" or LTQ. Its primary goal was to achieve a competitive advantage through the process of specific managing operations at all levels. Standards and measurements provided a problem-solving process that included recognition and reward for outstanding efforts and informal and formal communications. Training became a requirement for all levels in the company.

**Twiddy.com: New comparative benchmarking reports help boost email open rates by 500%**

Twiddy.com, a vacation rentals company in the Outer Banks in the Village of Duck, has been using Benchmarking reports to help focus its marketing resources. Reviewing their peer benchmarks by channel showed that Twiddy was doing many things well during its peak summer booking season. However, CMO Ross Twiddy felt reported that "it was clear we were missing a huge opportunity in email marketing,". His team used Google Analytics data to revamp their email marketing and improve the flow and process.
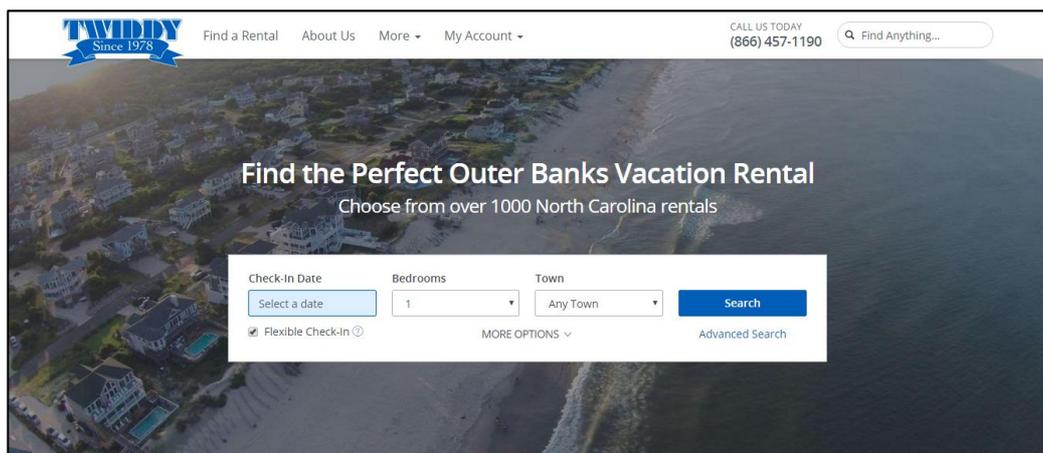


**Figure 9: Twiddy & Company**
Source: https://www.twiddy.com/about-us/#summary

Using the reports to find the best-performing messages for their emails, the company was able to focus on factors that have typically resulted in the most repeat bookings, such as price range, location and rental type.

According to Twiddy CMO Ross Twiddy, the results of using analytics benchmarking have been quite astonishing: "We launched an email last week based on our findings, and it shattered our email marketing records: a 48% average open rate and a 40% click-through rate."

How Can You Utilise Analytics Benchmarking for Your Business?
Comparative benchmarking helps businesses focus on what is working, and improve on what is not. It ensures a goal for data analysis.

Through using Google Analytics, it offered detailed insights that have allowed Twiddy to set internal benchmarks in order to find areas for improvement and to gauge performance over time. The external comparative benchmarking helped Twiddy to prioritise improvement opportunities, set realistic goals and maintain their competitive advantage.

1.  Prioritize improvement opportunities
A good start is to formulate key questions you need answers to, such as:
How does your site compare to others in your industry?
In what areas could you stand to experience a major overhaul?
In what areas are you close to reaching industry benchmarks?

The benchmark reports will help you determine where your efforts are best spent. For instance, you may wish to focus your time and effort on improving areas that are significantly below industry standards. When you have access to independent measures of performance, you can prioritise your spending and justify the investment of time and resources on specific areas of improvement.

2.  Set realistic goals
When you are able to see how you are doing compared to your peers, you are better able to set realistic and attainable goals. For instance, if you know that the industry average for bounce rates is 50% and yet yours is consistently at 40%, efforts to improve this metric may be better allocated elsewhere.

## 7. Possible Immediate Actions

Successful benchmarking in an age of disruption requires significant effort. Organisational excellence is an ongoing process that includes fresh ideas and welcomed practices. Problems are handled in a creative way with an overall goal of helping and benefitting the customer. Increased efficiency in cost, speed and analytic scope are results of operational strategies that optimise current operations while:

•       Reviewing new technologies.
•       Implementing and managing the transformation of operations.
•       Modeling future designing and scenarios.

The future of benchmarking depends on actions beyond the classic styles of evaluation. Companies that wish to improve, grow and expand market share can use an innovation tool to create growth from uncertainty. Thinking outside the box by foreseeing and planning for unique situations will help businesses operate effectively even in today's diverse business environment.

To benefit from benchmarking, companies should consider the purpose for wanting to do so. Key questions to ask include:

1.      Which key activities or processes should be benchmarked?
2.      Can we identify a suitable 'best in class' benchmarking partner?

The list of do's and don'ts provide a useful guide for a positive start to your benchmarking project.

| Actions to take / Dos | Actions to Avoid / Don'ts |
|---|---|
| • Appoint a knowledgeable and enthusiastic 'champion', allowing sufficient authority and resources<br>• Select the 'right' people – for example, staff and managers directly involved with the results/processes being benchmarked<br>• Ensure effective co-ordination and communication of information provided by benchmarking partners, including the provision of reciprocal information<br>• Concentrate on observing, describing and interpreting others' processes | • Do not focus too heavily on what is currently being done; benchmarking offers the opportunity to identify potential future practices and innovative breakthroughs<br>• Don't ignore organisational differences and their impact on comparative performance; non-transferable elements, such as employee skills and knowledge and organisational structure, must be recognised and allowed for<br>• Avoid being defensive about any negative issues revealed by the process. The purpose of benchmarking is to reinforce improvement rather than to lay blame |

**Figure 10: Do's and Don'ts of Benchmarking**
Source:
http://www.cgma.org/Resources/Tools/essentialtools/Pages/benchmarking.aspx?TestCookiesEnabled=redirect

## Recommended Readings

| | |
|---|---|
| **Title** | HBR's 10 Must Reads on Innovation |
| **Author(s)** | Harvard Business Review, Peter Ferdinand Drucker, Clayton M. Christensen, Vijay Govindarajan |
| **Publisher** | Harvard Business Review Press |
| **Year of Publication** | 2013 |
| **ISBN** | 978-1422189856 |

| | |
|---|---|
| **Title** | Ten Types of Innovation: The Discipline of Building Breakthroughs |
| **Author(s)** | Larry Keeley, Helen Walters, Ryan Pikkel, Brian Quinn |
| **Publisher** | Wiley |
| **Year of Publication** | 2013 |
| **ISBN** | 978-1118504246 |

| | |
|---|---|
| **Title** | Benchmarking: Analyze performance and adapt your procedures |
| **Author(s)** | 50Minutes.com |
| **Publisher** | 50Minutes.com |
| **Year of Publication** | 2015 |
| **ISBN** | 978-2806270634 |

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